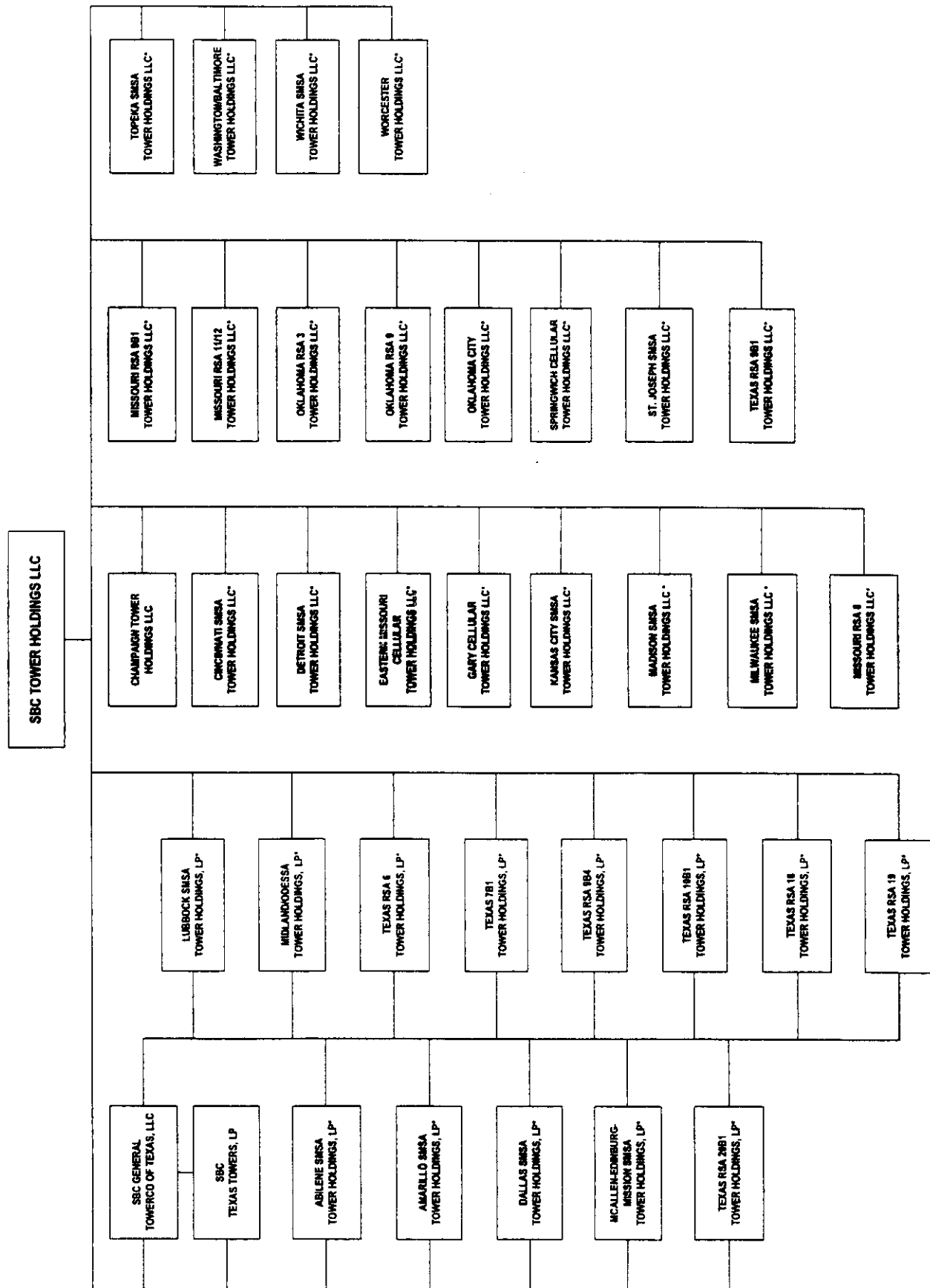
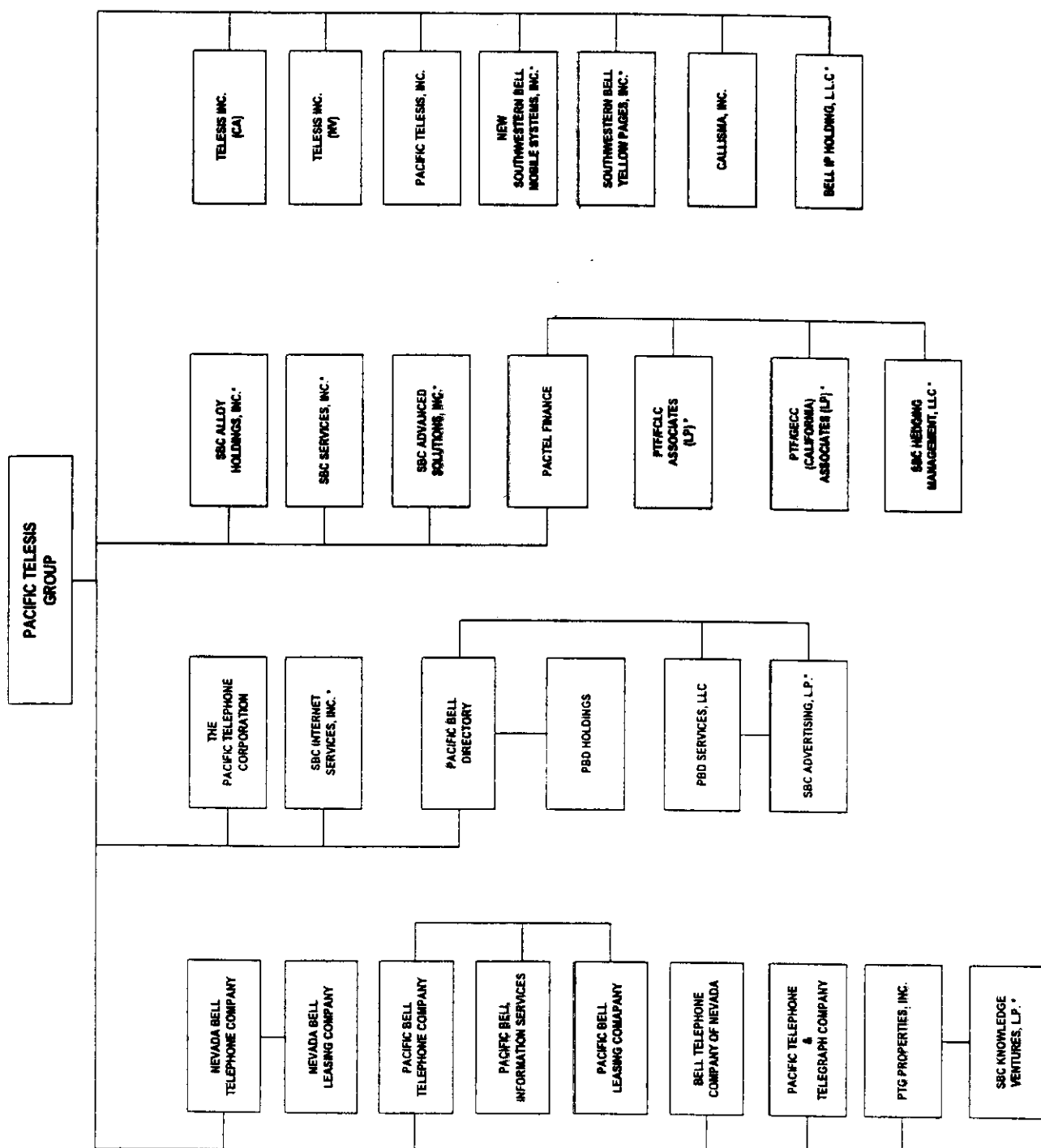


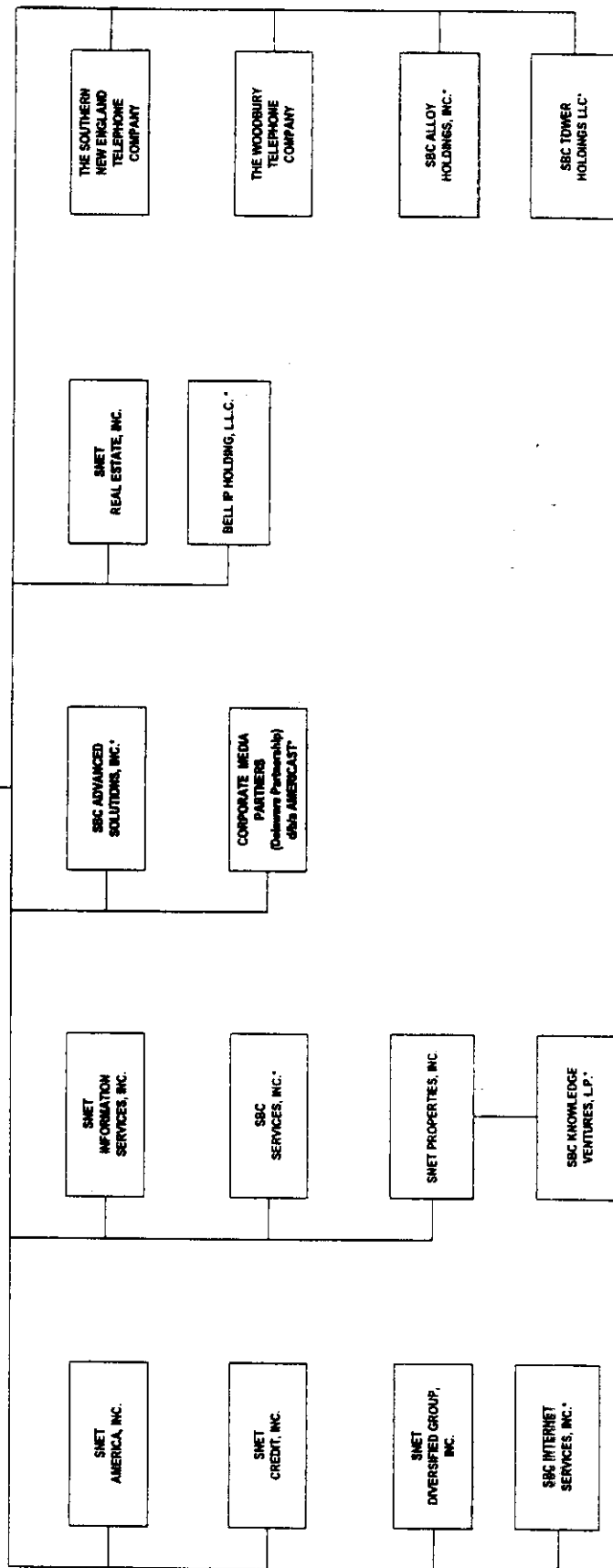
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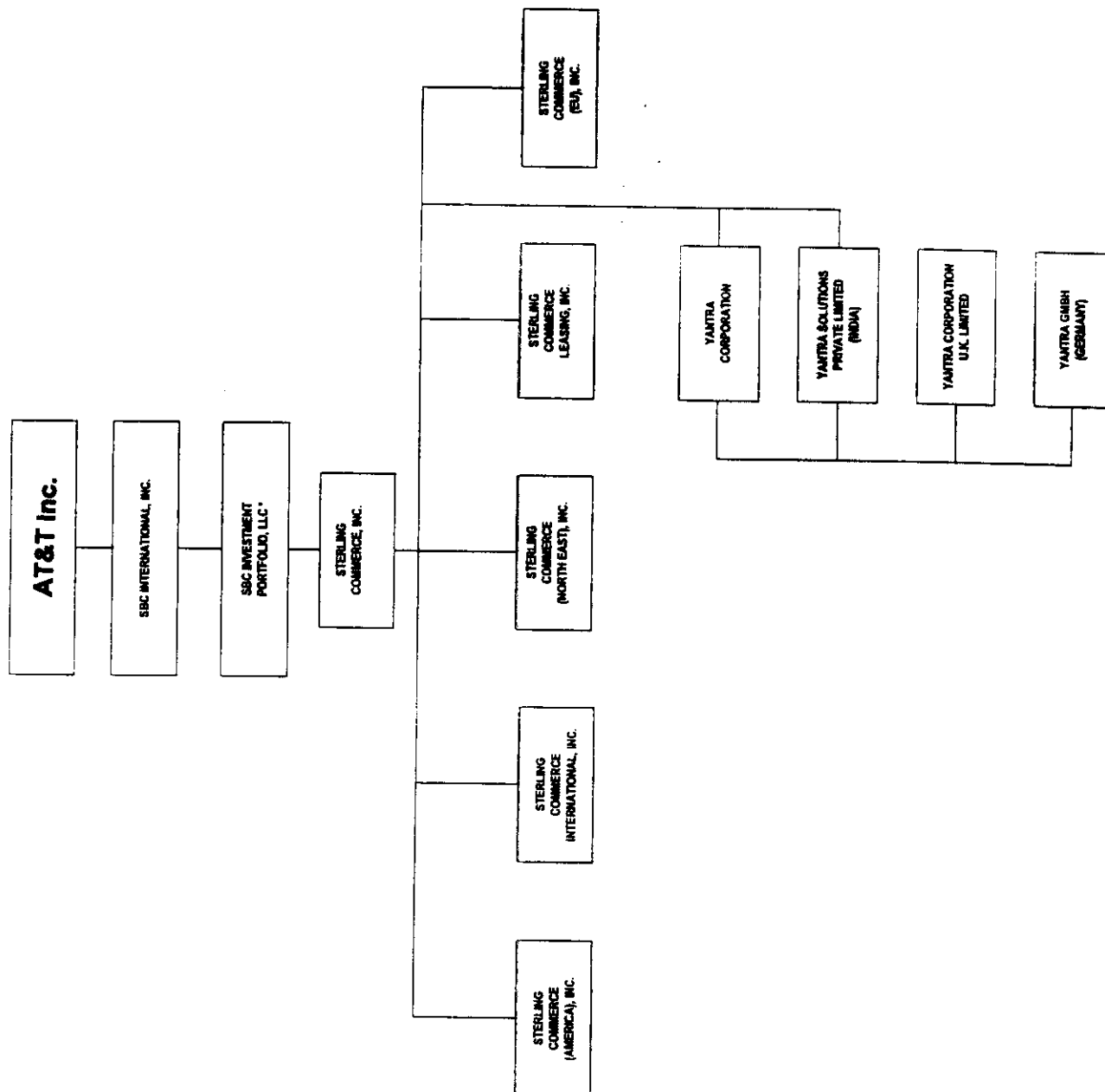
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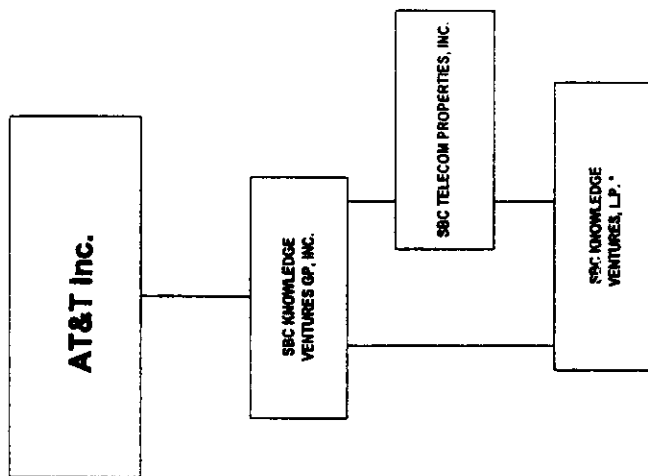
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TELECOMMUNICATIONS
CORPORATION**



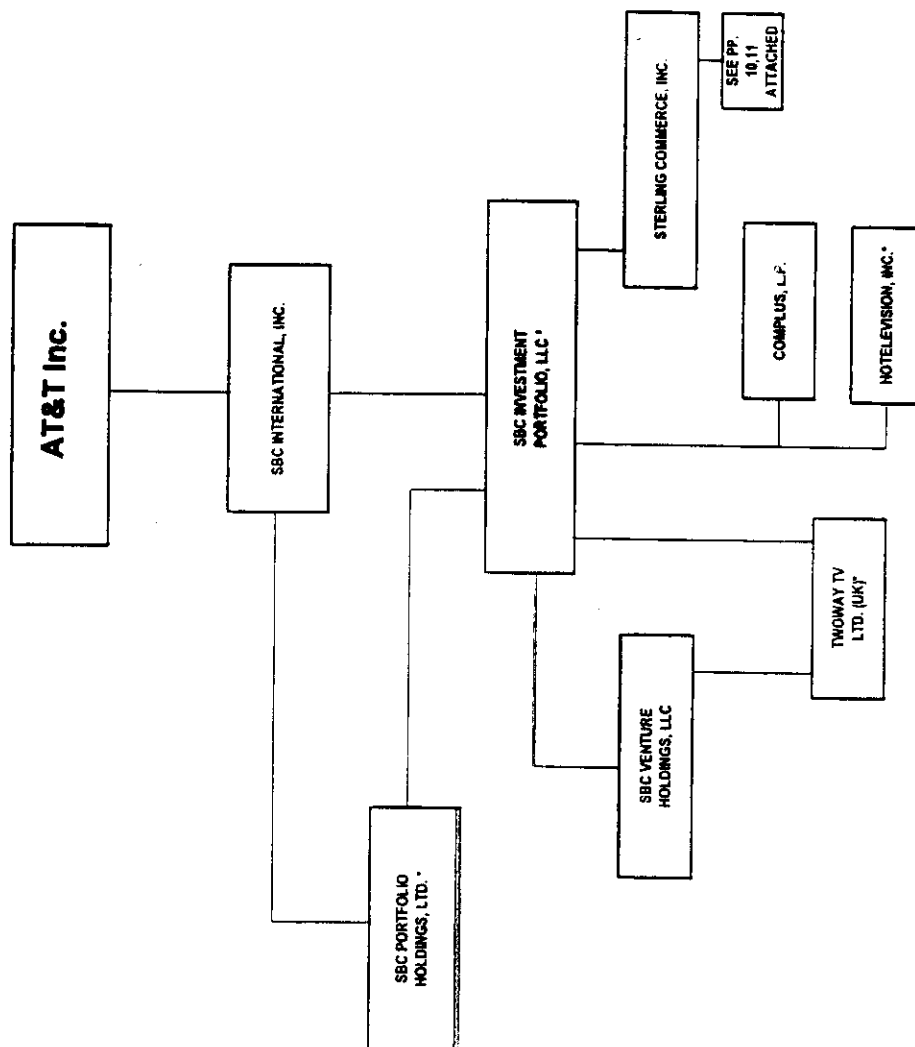
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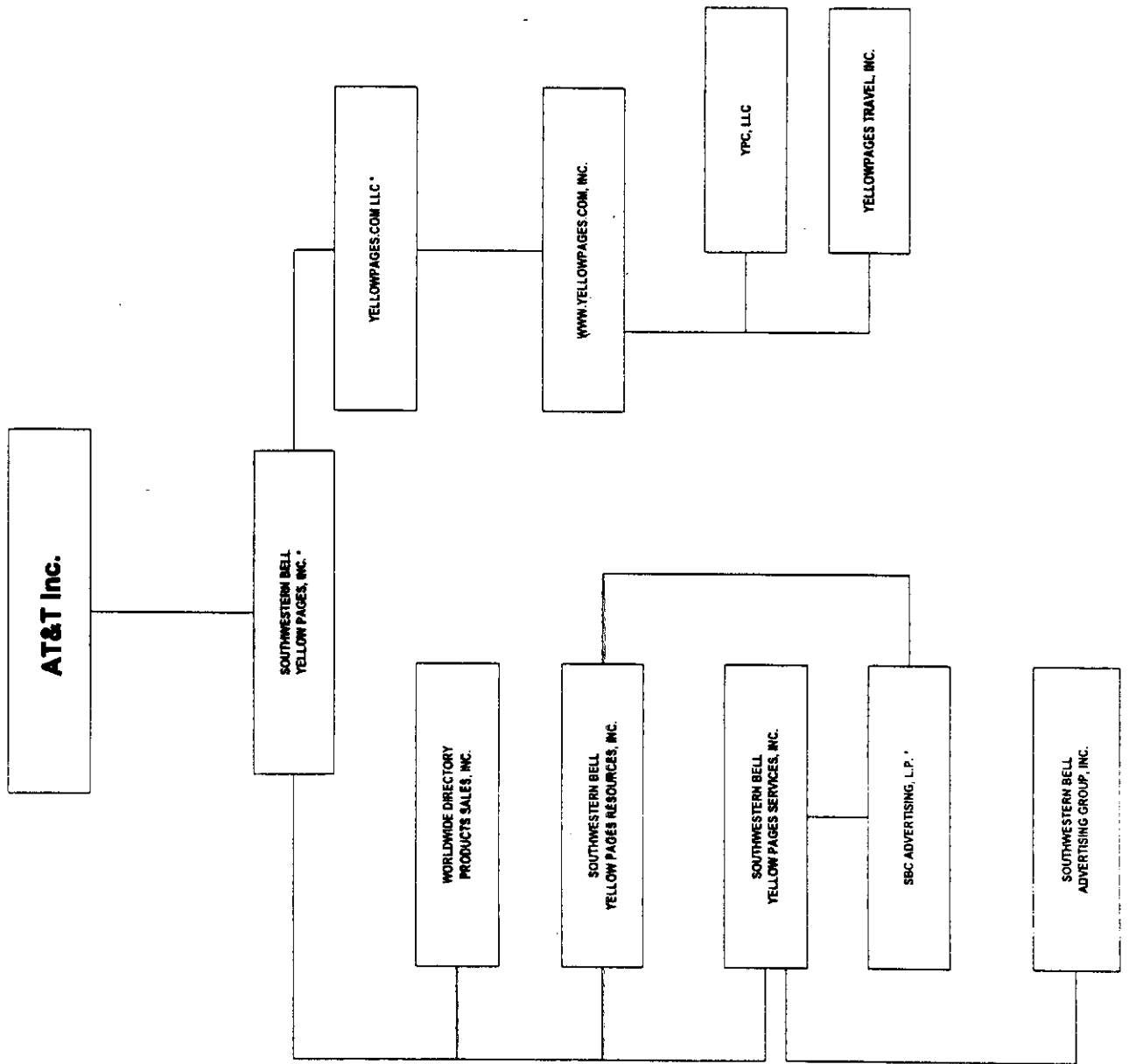


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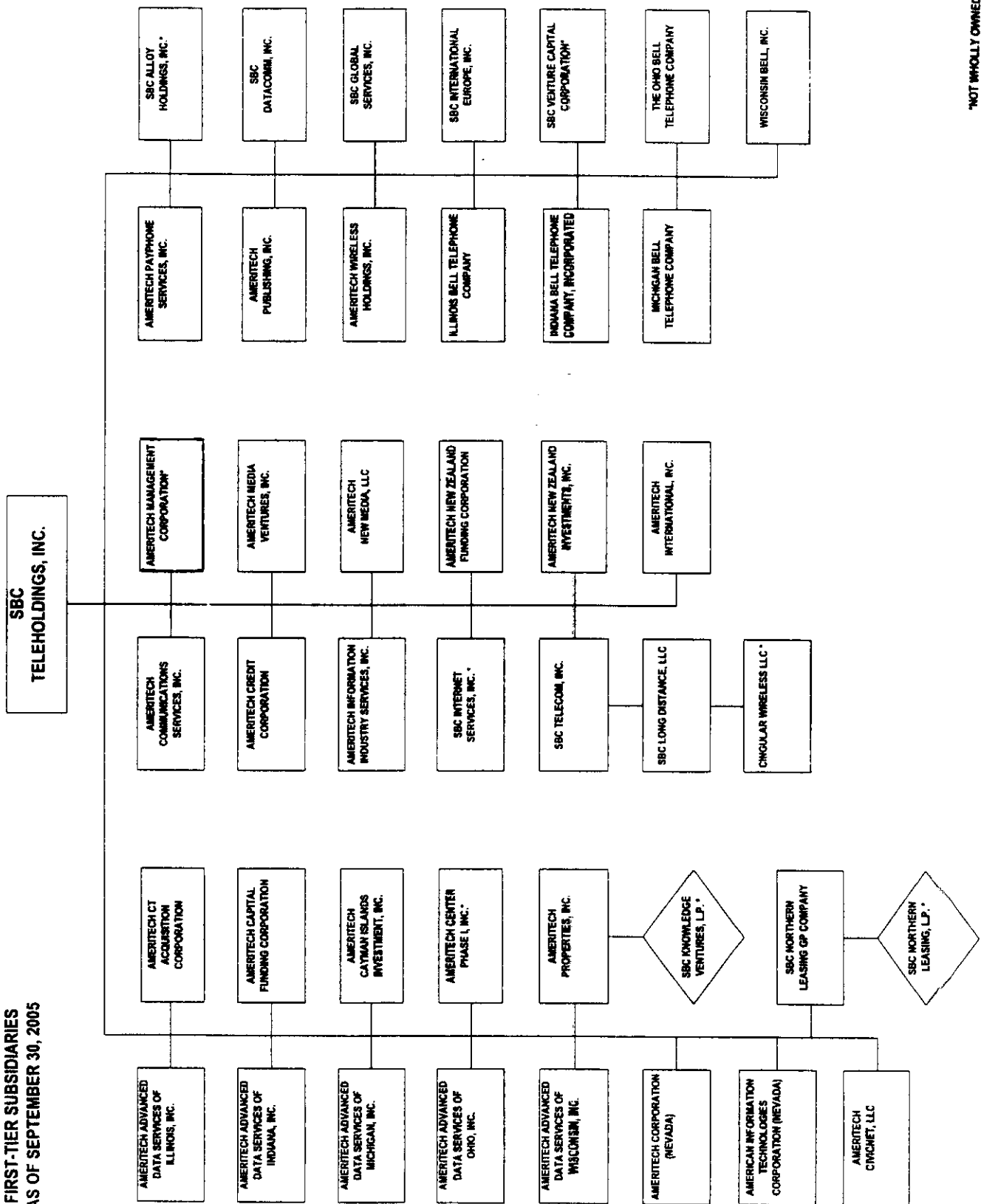
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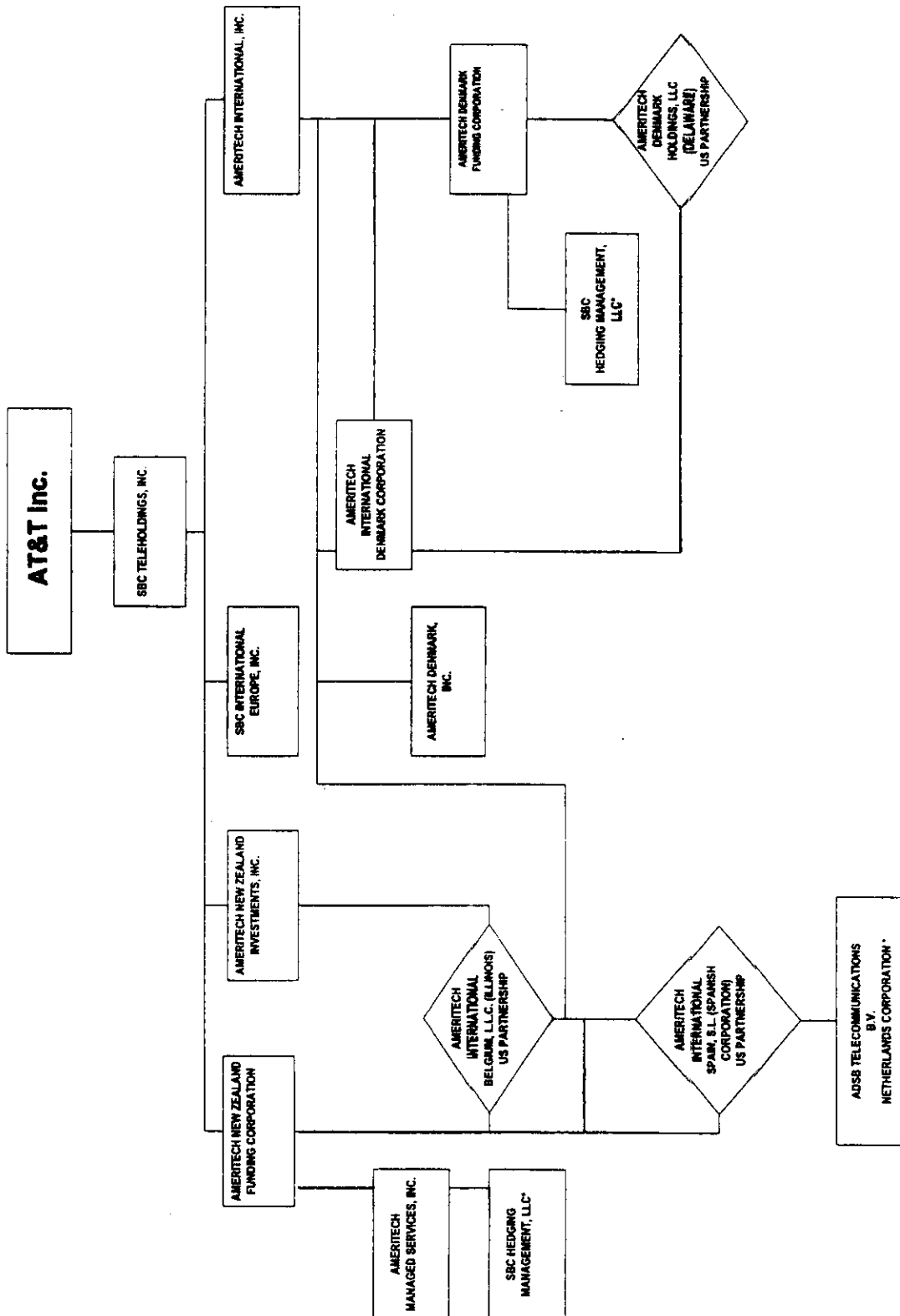


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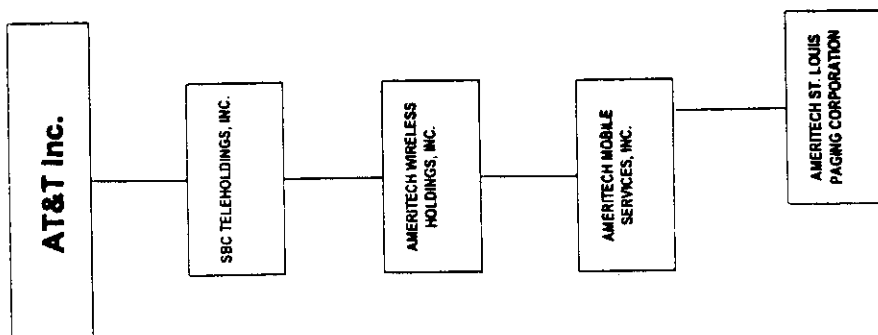
SBC TELEHOLDINGS, INC.
FIRST-TIER SUBSIDIARIES
AS OF SEPTEMBER 30, 2005

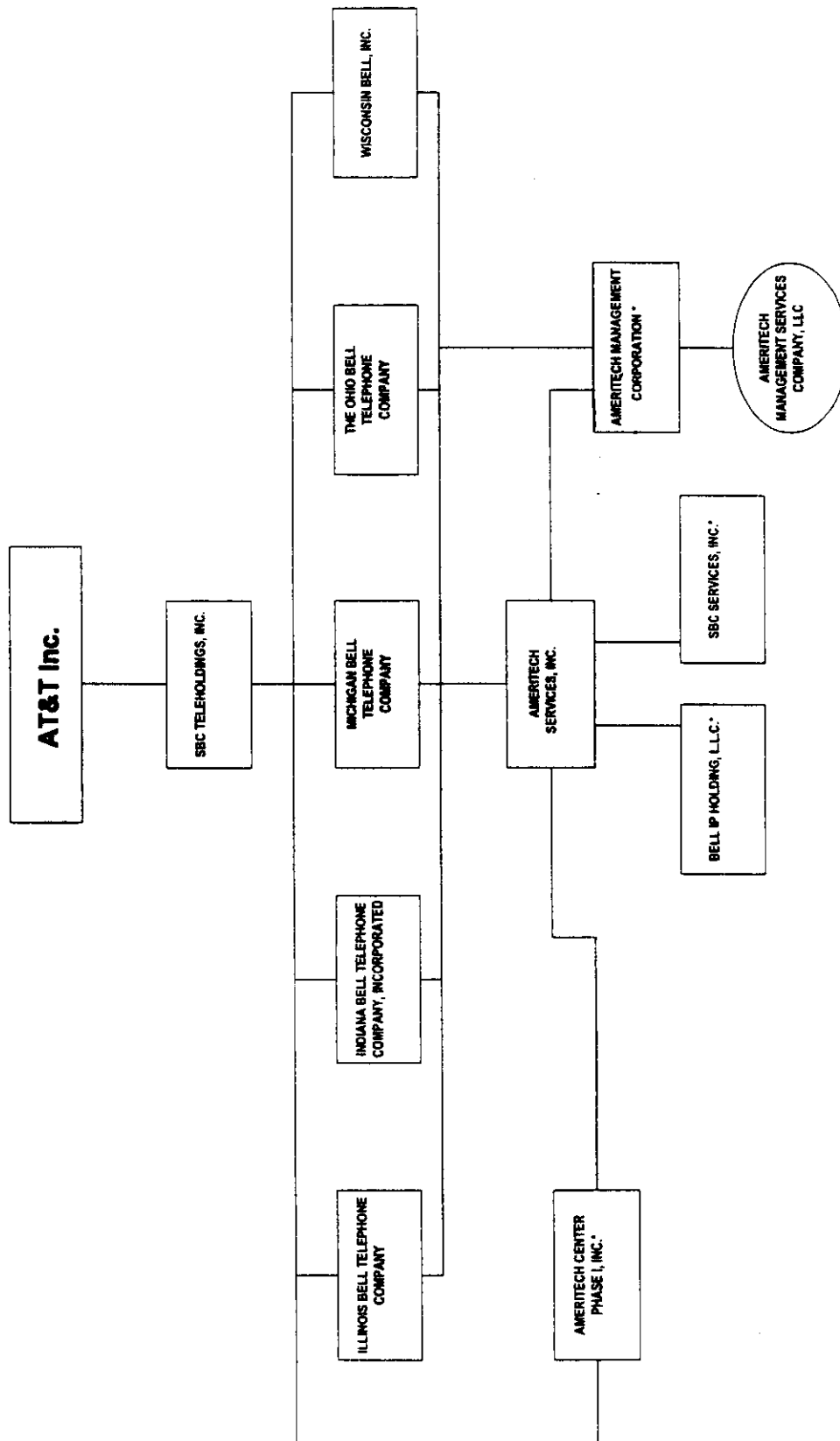


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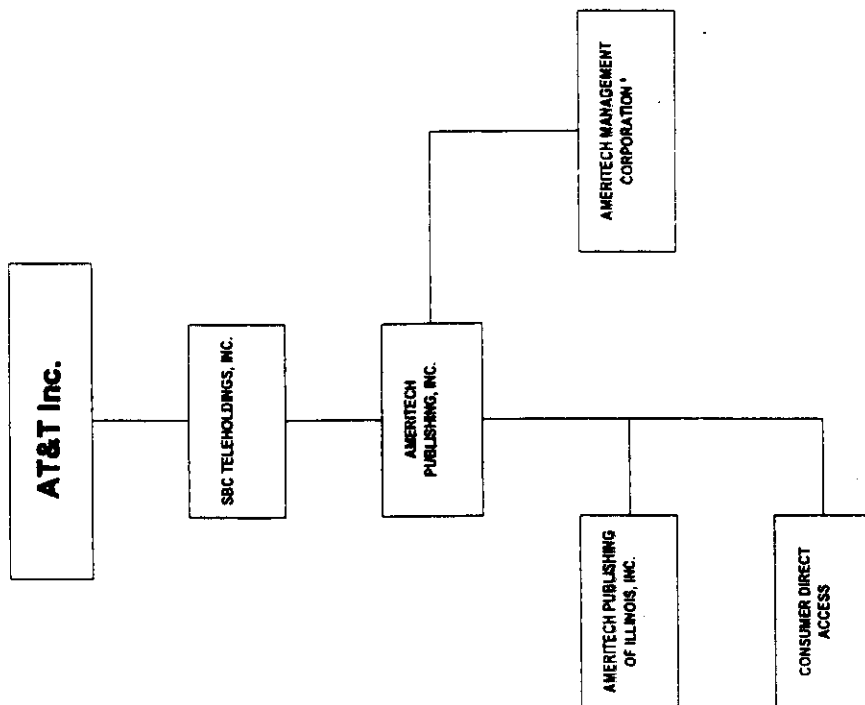


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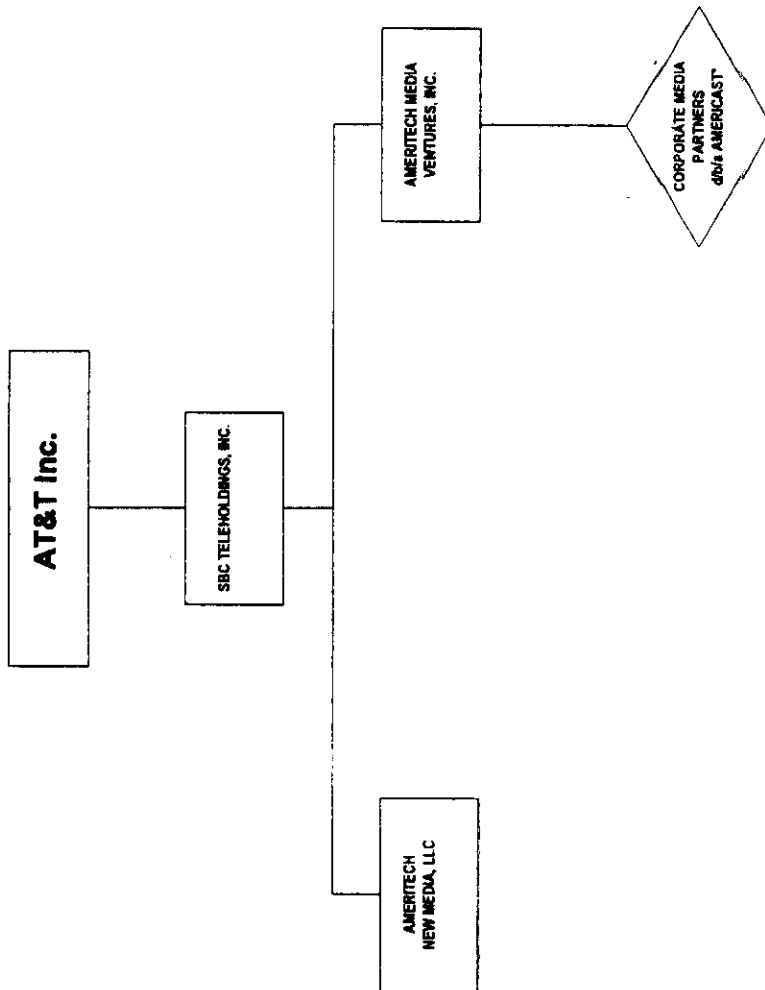




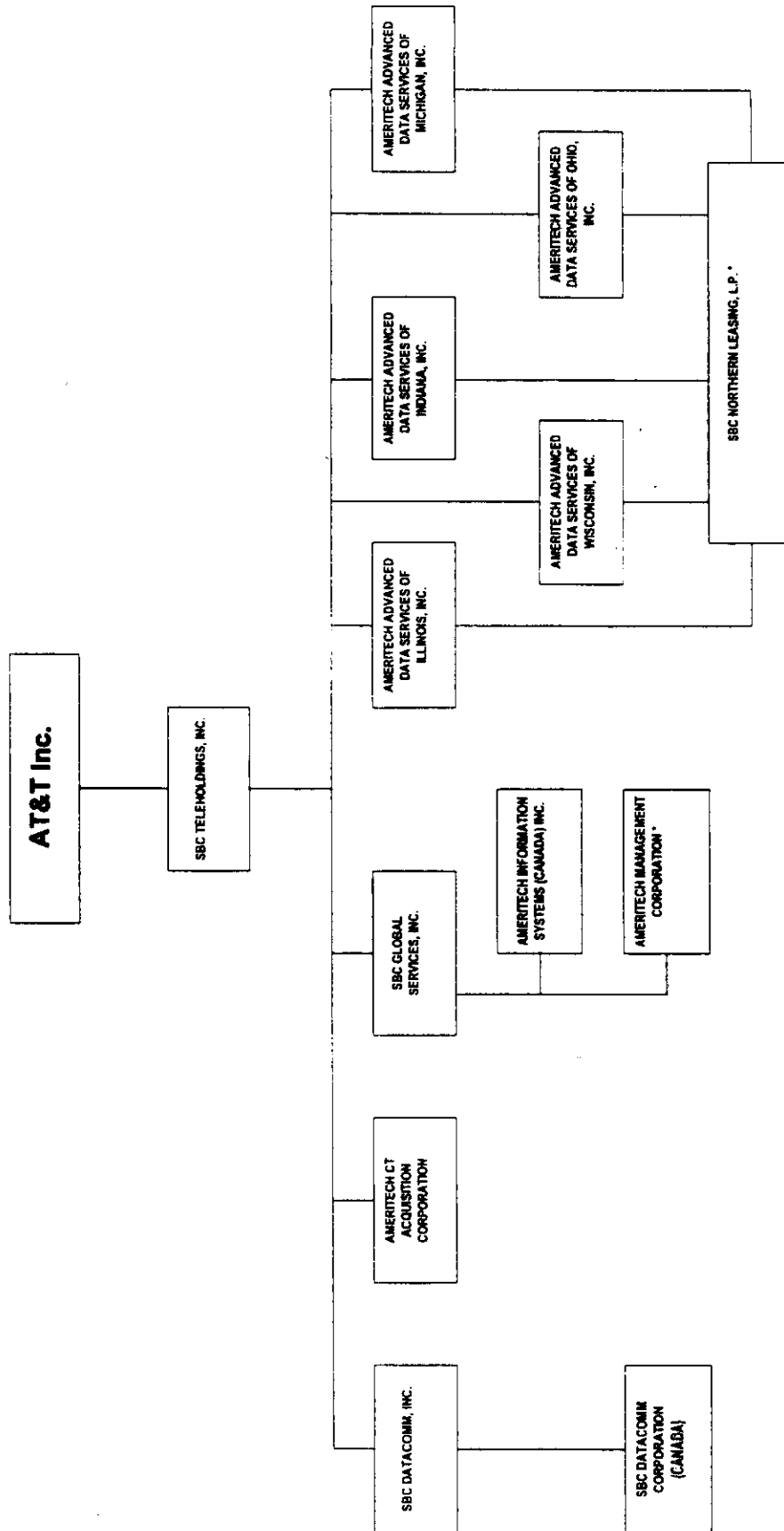
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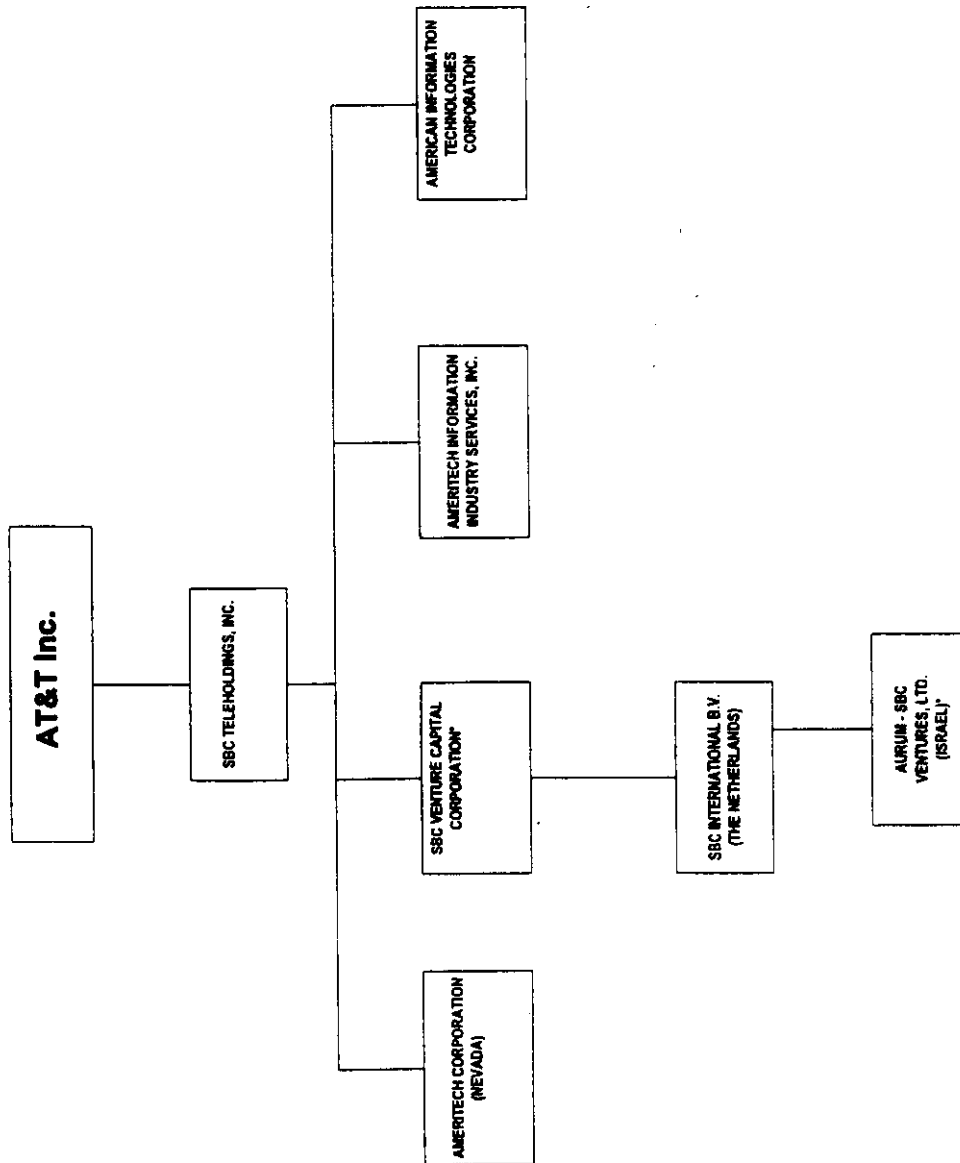
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SECTION V – TRANSACTIONS WITH AFFILIATES

INTRODUCTION

Nevada Bell Telephone Company, Pacific Bell Telephone Company, Southwestern Bell Telephone, L.P., Wisconsin Bell, Inc., The Ohio Bell Telephone Co., Michigan Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, and Illinois Bell Telephone Company (Telcos) use the applicable provisions of the following guidelines established in RAO 26, released May 6, 1998, and modified in the Phase 2 Report and Order in the 2000 Biennial Regulatory Review released November 5, 2001, in conducting all affiliate transactions.

A. General Definitions:

- (1) "tariffed rates" -- rates provided pursuant to documents filed with state or federal regulatory authorities.
- (2) "publicly-filed agreements/statements of generally available terms" -- charges appearing in publicly-filed agreements submitted to a State commission pursuant to section 252(e) or statements of generally available terms pursuant to section 252(f) in place of tariffed rates when tariffed rates are not available.
- (3) "prevailing price" -- the price at which a company offers an asset or service to the general public. In order to qualify for prevailing price valuation, sales of a particular asset or service to third parties must encompass greater than 25 percent of the total quantity of such product or service sold by an entity. Carriers shall apply this 25 percent threshold on an asset-by-asset and service-by-service basis, rather than on a product line or service line basis.
- (4) "fair market value" -- the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.
- (5) "net book cost" -- the original cost of an asset adjusted by the associated valuation reserves (e.g., accumulated depreciation, deferred taxes, etc.).
- (6) "fully distributed cost" -- cost determined in a manner that complies with the standards and procedures for the apportionment of special, joint, and common costs between the regulated and nonregulated operations of the carrier. A fully distributed costing methodology apportions the total costs of a group of services or products—including the authorized interstate rate of return—among the individual services or products in that group. In general, this process directly assigns some of the costs to individual services or products. The remaining costs are allocated among individual services or products based on relative use measurements or estimates of relative use. The resulting cost apportionments determine the share of total cost that is attributed to each service or product. (In Telco service transactions, fully distributed cost includes a return component calculated, as required, using the authorized interstate rate of return, currently 11.25%.)

B. Valuation Methods for the Sale or Transfer of Assets:

- (1) "tariffed rate" -- is to be used when assets are sold or transferred between a carrier and its affiliates pursuant to existing tariffs, including a tariff filed with a state commission.

- (2) "prevailing price" -- is to be used when non-tariffed assets are sold or transferred between a carrier and its affiliates that qualify for prevailing price. To qualify for prevailing price, the sale of a particular asset must encompass greater than 25 percent of the total quantity of such product sold by an entity. Carriers shall apply this 25 percent threshold on an asset-by-asset basis rather than on a product-line basis. In the case of transactions for assets subject to 47 U.S.C. § 272, a Bell operating company may record such transactions at prevailing price regardless of whether the 25 percent threshold has been satisfied.
- (3) "higher of fair market value and net book cost" -- is to be used as a floor for all other assets sold by or transferred from the carrier to its affiliates, except that the first \$500,000 of asset transfers on a product-by-product basis, per year, per affiliate may be recorded at net book cost. For each asset listed under this classification, the carrier must include the specific valuation method in effect at the date of the CAM filing by inserting either FMV (fair market value) or NBC (net book cost) next to each asset listed.
- (4) "lower of fair market value and net book cost" -- is to be used as a ceiling for all other assets purchased by or transferred to the carrier from its affiliates, except that the first \$500,000 of asset transfers on a product-by-product basis, per year, per affiliate, may be recorded at net book cost. For each asset listed under this classification, the carrier must include the specific valuation method in effect at the date of the CAM filing by inserting either FMV or NBC next to each asset listed.

C. Valuation Methods for the Provision of Services:

- (1) "tariffed rate" -- is to be used when services are sold or transferred between a carrier and its affiliates pursuant to existing tariffs, including a tariff filed with a state commission.
- (2) "rate pursuant to a publicly-filed agreement" -- is to be used when non-tariffed services are sold or transferred between a carrier and its affiliates pursuant to publicly filed agreements submitted to state commissions pursuant to section 252(e) of the Communications Act of 1934, as amended, (the Act) or statements of generally available terms pursuant to section 252(f).
- (3) "prevailing price" -- is to be used when non-tariffed services are sold or transferred between a carrier and its affiliates that qualify for prevailing price. To qualify for prevailing price, the sale of a particular service must encompass greater than 25 percent of the total quantity of such service sold by an entity. Carriers shall apply this 25 percent threshold on a service-by-service basis rather than on a service-line basis. In the case of transactions for services subject to 47 U.S.C. § 272, a Bell operating company may record such transactions at prevailing price regardless of whether the 25 percent threshold has been satisfied.
- (4) "higher of fair market value and fully distributed cost" -- is to be used as a floor for all other services sold by or transferred from the carrier to its affiliates, except that the first \$500,000 of services on a service-by-service basis, per year, per affiliate, may be recorded at fully distributed cost. For each service listed under this classification, the carrier must include the specific valuation method in effect at the date of the CAM filing by inserting either FMV or fully distributed cost (FDC) next to each service listed.
- (5) "lower of fair market value and fully distributed cost" -- is to be used as a ceiling for all other services purchased by or transferred to the carrier from its affiliates, except that the first

\$500,000 of services on a service-by-service basis, per year, per affiliate, may be recorded at fully distributed cost. An additional exception is that services received by a carrier from its affiliates that exist *solely* to provide services to members of the corporate family shall be recorded at FDC, as shown below in item (6)). For each service listed under this classification, the carrier must include the specific valuation method in effect at the date of the CAM filing by inserting either FMV or FDC next to each service listed.

- (6) "fully distributed cost" -- is to be used only when a carrier purchases services from an affiliate that exists solely to provide services to members of the carrier's corporate family. In order to qualify for this classification, the services affiliate must not have any sales with outside parties.

APPLICATION OF AFFILIATE TRANSACTION RULES

The Telcos and their corporate affiliates will comply with the Commission's affiliate transaction rules as outlined in the Uniform System of Accounts (USOA), Part 32 of the Commission's Rules and Regulations, as modified by the Order on Reconsideration in the Joint Cost Proceeding, and the Accounting Safeguards Order under the Telecommunications Act of 1996, CC Docket 96-150.

Assets transferred from an affiliate to the Telco will be recorded on Telco's books of account at prevailing prices (PP). Where no prevailing price has been established, the lower of fair market value (FMV) or the affiliate's net book cost (NBC) will be used as a ceiling for recording on Telco books, except that the first \$500,000 of assets on a product-by-product basis, per year, per affiliate, may be recorded at net book cost.

Assets transferred from Telco to its affiliates will be recorded at prevailing price or tariff rate, if applicable. Otherwise, the higher of fair market value or Telco's net book cost will be used as a floor for recording Telco books, except that the first \$500,000 of assets on an a product-by-product basis, per year, per affiliate, may be recorded at net book cost.

With respect to the purchase of services from an affiliate, Telco will record the prevailing price or any applicable rate pursuant to a tariff or publicly filed agreement. Otherwise, Telco will use the lower of fair market value or fully distributed cost (FDC) as a ceiling for recording on Telco books, except that the first \$500,000 of service-by-service basis, per year, per affiliate, may be recorded at fully distributed cost. An additional exception is that, for services Telco purchases from an affiliate that exists solely to provide services to members of the corporate family, Telco may record fully distributed cost. Instructions have been provided to affiliates concerning the use of the fully distributed cost methodology of cost allocation as contained in Section 64.901 rules. Affiliates are required to apply that method in developing the cost information needed by Telco in complying with the affiliate transaction rules.

When Telco provides a service to an affiliate, the affiliate will be charged an applicable rate pursuant to a tariff or publicly filed agreement. Absent such rates, Telco will apply a prevailing price, if available. Otherwise, the higher of fair market value or fully distributed cost will be used as a floor for recording on Telco books, except that the first \$500,000 of services on a service-by-service basis, per year, per affiliate, may be recorded at fully distributed cost.

The Telcos provide instructions, outlined below, and counseling to each affiliate for guidance in developing the affiliate's fully distributed costs, or the fair market value of the service:

SERVICE COSTING PROCEDURES FOR AFFILIATES

PROVISION OF SERVICES

If an affiliate provides a service to Telco, one of three affiliate transaction rules will apply to Telco. First, if the affiliate provides a rate pursuant to a tariff or publicly filed agreement, Telco must record at that rate. The second rule applies when the affiliate provides more than 25 percent of the service quantity to nonaffiliated third parties at a "prevailing" price. Under these circumstances, Telco must record expenses on its (regulated) books equal to the affiliate's "prevailing" price.

If the affiliate does not have a "prevailing" price, the lower of fair market value or fully distributed cost will be used as a ceiling for recording on Telco books. Fair market value is a good faith estimate developed via methods routinely used by the general business community such as appraisals, catalog listings, competitive bids, replacement cost of an asset, net realizable value of an asset, sales to third parties, etc. Except where fair market value is lower than fully distributed cost, the affiliate providing the service to Telco must use FDC procedures in accordance with Section 64.901 of the FCC Rules and Regulations to cost the affiliate's service.

LIST OF AFFILIATES

Ameritech Advanced Data Services, Inc.	Incorporated in each of the five states within the Ameritech region. These companies provide business customers with advanced data communications services.
Ameritech Center Phase I, Inc.	Provides space rental to the AOCs.
Ameritech Credit Corporation	Provider of capital financing and leasing services.
Ameritech Information Industry Services, Inc.	Provides information services to third-party information providers.
Ameritech Mobile Services, Inc.	Paging services and equipment provider. Does business as SBC Ameritech Paging.
Ameritech Payphone Services, Inc.	Payphone provider outside of SBC Midwest Region.
Ameritech Publishing, Inc.	Directory advertising and publishing provider.
Ameritech Services, Inc.	(FDC Exception applies) Provides various administrative and support services for the parent holding company and other subsidiaries.
AT&T Corp.	(Section 272 Affiliate) Provides interexchange and advanced data communications services. Also furnishes telecommunications and systems integration products to customers and operates divisions which sell and service data and voice systems for business use.
Callisma, Inc.	Provider of network consultation services.
Cingular Wireless, LLC (Includes Pacific Bell Wireless, LLC; Southwestern Bell Wireless, Inc.; and SNET Cellular)	Wireless services and equipment provider
Gateway Rivers Insurance Company	(FDC Exception applies) Insurance company that currently provides workers' compensation, general liability, auto liability, printer's errors and omissions, railroad liability, environmental liability, property, medical stop loss, and corporate professional liability.
Pacific Bell Directory	Directory publishing and advertising provider.
Pacific Bell Information Services	Voice messaging service provider.
Pacific Telesis Group	(FDC exception applies) Provides various administrative and support services for the parent holding company and other subsidiaries.
SBC Advanced Solutions, Inc.	Data services provider.
SBC Asset Management, Inc.	Real estate services provider.
SBC DataComm, Inc.	Furnishes telecommunications and systems integration products to customers and operates divisions which sell and service data systems for business use.
SBC Enterprise Services, Inc.	(FDC exception applies) Performs centralized administrative support services including Information Technology and Billing Support Services, Real Estate Support Services, Procurement Support Services, Human Resources Support Services, Training Services and Finance Support Services. Also includes Business Process Development and Design, Marketing, Customer Care and Billing Support Services. Also provides various administrative and support services for the parent holding company and other subsidiaries.